HOUSING MARKET INFORMATION

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CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

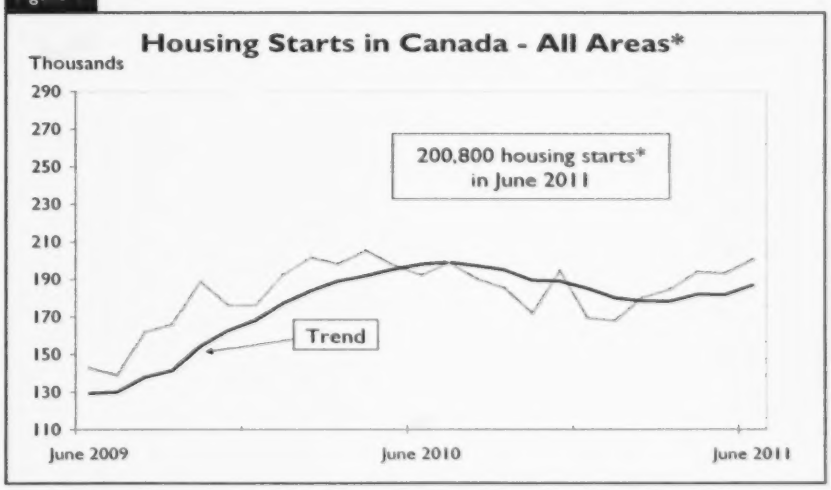
New Home Market

Housing starts increased in June 2011

The seasonally adjusted annual rate[1] of housing starts was 200,800 units in June, up 3.9 per cent from a revised 193,300 units in May. Housing starts increased in June mainly due to an increase in single and multiple starts in Ontario.

The revised numbers show that housing starts have been above their trend line since March. However, housing starts are expected to move back toward levels consistent with demographic fundamentals in the near term.

Figure 1



Source: CMHC

*Seasonally adjusted at annual rates

[1]All starts figures in this release, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Single urban starts increased and were partially off-set by a decrease in multiple urban starts in June

The seasonally adjusted annual rate of urban[2] starts increased by 4.0 per cent to 177,700 units in June compared to 170,800 units in May. Urban single starts increased 11.1 per cent to 70,900 units, while urban multiple starts were down 0.2 per cent to 106,800 units in June.

Urban starts mixed across the regions

In June, the seasonally adjusted annual rate of urban starts increased in Ontario (29.7 per cent), and in the Atlantic region (5.6 per cent). On the other hand, starts decreased in British Columbia (-27.6 per cent), in Québec (-3.6 per cent), and in the Prairie region (-1.2 per cent).

The seasonally adjusted annual rate of rural starts was 23,100 units in June compared to 22,500 units in May.

Year-to-date actual starts down compared to 2010

On a year-to-date basis (to June 2011), actual total housing starts in urban areas have decreased by 1.6 per cent compared to the same period in 2010.

Actual urban single starts for the first six months of 2011 were down 20.8 per cent while urban multiple starts were 15.7 per cent higher than the same period last year.

Year-to-date actual starts in rural and urban areas combined decreased by 4.6 per cent compared to the first six months of 2010.

New Housing Price Index continues to increase in May

According to Statistics Canada, the New Housing Price Index (NHPI) increased 0.4 per cent in May following a 0.3 per cent advance in April. On a year-over-year basis, the NHPI was up 1.9 per cent in May and in April.

In May 2011, new home prices increased in 14 out of 21 centres, compared to May 2010. The largest increases in the NHPI were in St. John's (4.7 per cent), followed by Toronto and Oshawa (4.3 per cent), and Winnipeg (4.1 per cent). The NHPI declined in six centres and remained stable in Calgary. The centres that registered the largest declines in the NHPI were Windsor (-4.4 per cent), Victoria (-1.7 per cent), and London (-1.3 per cent).

Existing Home Market

MLS®[3] sales up in June

The seasonally adjusted annual rate of MLS® (Multiple Listing Service®) sales was up 2.6 per cent to 450,936 units in June, compared to 439,524 units in May. At 245,170 units, actual MLS® sales in the first six months of 2011 decreased by 3.5 per cent compared to the same period in 2010.

MLS® new listings were up in June

The seasonally adjusted annual rate of MLS® new listings in June increased 1.8 per cent to 857,640 units, compared to 842,556 units in May. Actual new listings for the first six months were down 5.0 per cent compared to the same period in 2010.

The Sales-to-New-Listings ratio[4] remains in balanced market conditions

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

The sales-to-new-listings ratio for Canada remained in balanced market conditions in June, at about 52.6 per cent, up from May's 52.2 per cent.

[2]Urban centres are defined as centres with a population of over 10,000. CMHC surveys urban centres 10,000-49,999 at the end of every quarter. Months which are not at the end of a quarter are thus estimates.

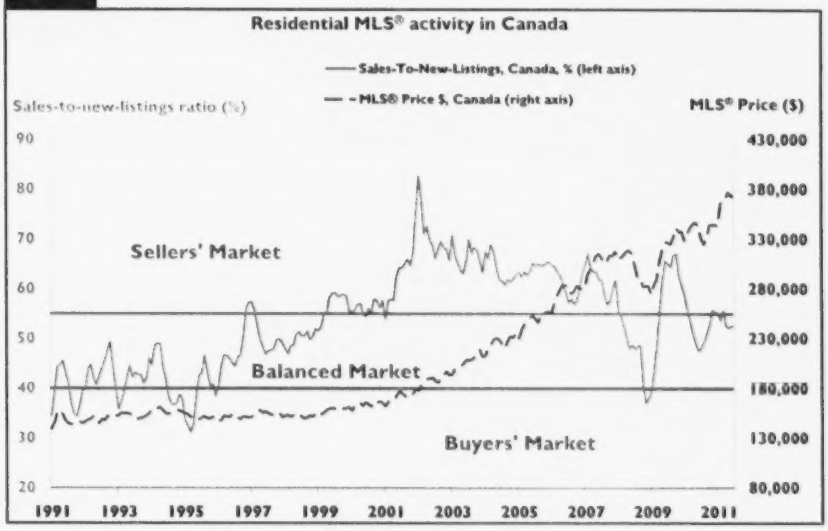
[3]Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association

[4]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

MLS® prices fell in June

The June seasonally adjusted average MLS® price in Canada decreased by 0.9 per cent to $363,440 compared to $366,737 in May. The unadjusted MLS® average price was up in June at $372,700 from $342,811 a year ago.

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS

Economic conditions

Labour market conditions and interest rates are key factors driving housing demand.

According to Statistics Canada, employment increased by 28,000 in June. Part-time employment rose by 21,000 positions in June, while full-time employment increased by 7,000. Compared to June 2010, total employment across Canada was up 1.4 per cent (238,000 jobs). Over the past year, full-time employment added 205,000 net new jobs, while part-time employment increased by 32,000 net new jobs.

Among the provinces, Ontario, Alberta and Nova Scotia registered employment gains in June, while Québec and Newfoundland and Labrador posted employment declines. The other provinces showed little change.

The agency also reported that Canada's unemployment rate was unchanged at 7.4 per cent in June. This was due to an increase in the number of people looking for work.

On July 19th, the Bank of Canada announced that it was leaving the target for the overnight interest rate unchanged at 1.0 per cent. According to the Bank of Canada, the global and Canadian economic recovery is proceeding much as anticipated. The Bank also indicated that as excess productive capacity in the Canadian economy is gradually absorbed, the pressure to increase the target for the overnight interest rate will intensify so as to maintain inflation near the 2 per cent target.

Inflation, according to Statistics Canada's Consumer Price Index, rose 3.1% in the 12 months to June, primarily the result of higher prices for gasoline and food purchased from stores. This follows a 3.7% increase posted in May.

Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, increased to 1.3% in the 12 months to June down from 1.8% in May.

The agency also reported that shelter costs rose 1.7% in the 12 months to June. In addition to higher prices for fuel oil and water, homeowners' replacement cost increased 1.8%. However, mortgage interest cost, which measures the change in the interest portion of payments on outstanding mortgage debt, decreased 1.9%. Prices for natural gas also fell.■

Canada's Existing Home Market Mid-Year Update

During the first half of 2011, a combination of decreased MLS® sales and a slight increase in MLS® new listings has kept Canada's existing home markets in the balanced market range. It is expected that balanced market conditions will continue for the rest of 2011.

As stated previously in this publication, a good indicator of price pressure in the existing home market is the sales-to-new-listings ratio (SLR). New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand. The SLR is calculated by dividing the number of MLS® sales by the number of MLS® new listings, then multiplying by 100.

A SLR below 40 per cent has usually been accompanied by existing house price growth that is less than the general rate of inflation. This situation is known as a buyers' market. A SLR ratio above 55 per cent has been associated with a sellers' market, with home prices generally rising at a pace that is greater than inflation. When the SLR is between these thresholds, the market is said to be balanced and home prices tend to increase at about the overall rate of inflation.

Figure 3

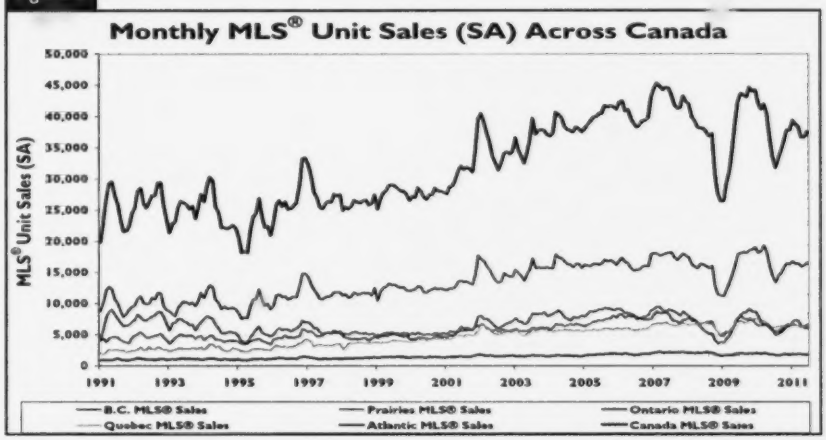


Figure 4

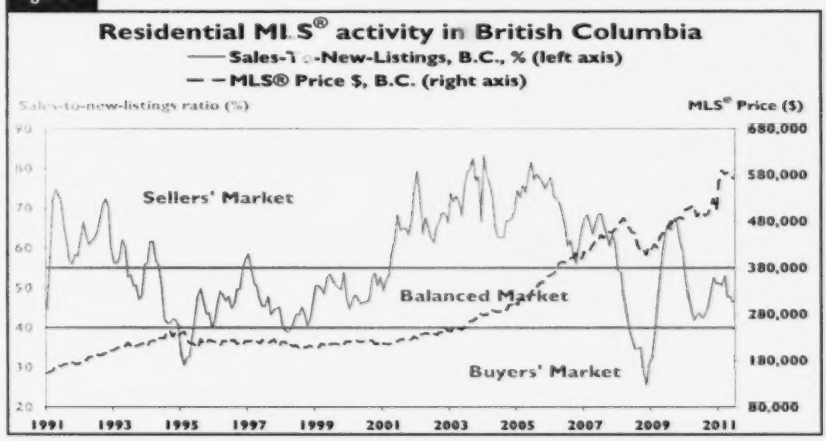
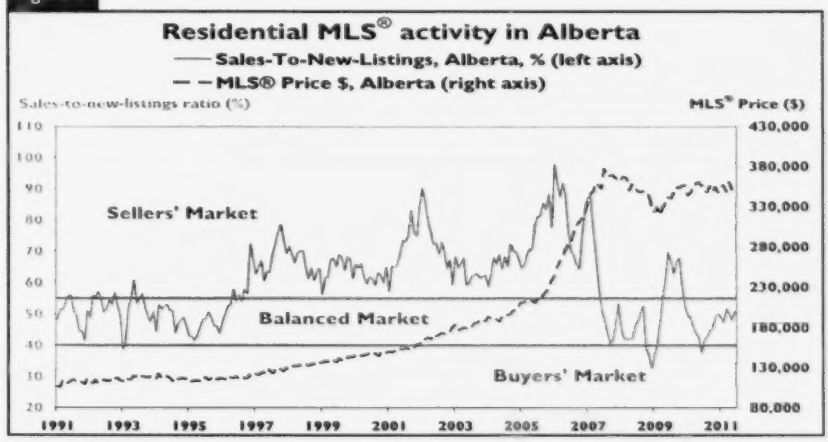


Figure 5



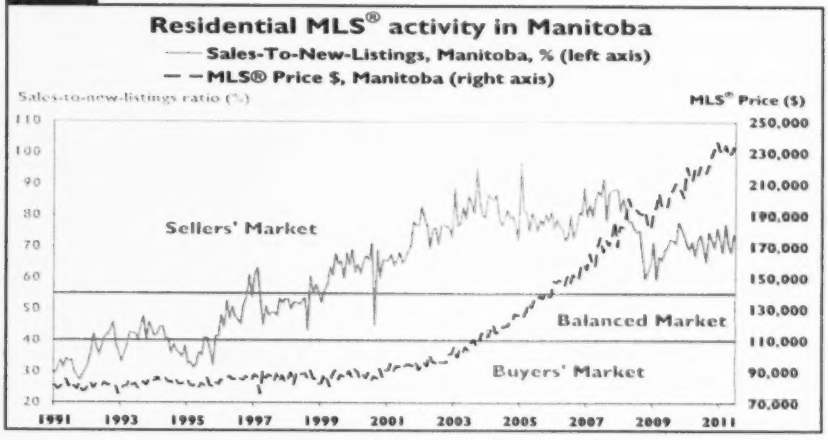
It is important to note that the relationship between market conditions and average prices can be somewhat distorted by the fact that the average prices can also reflect changes in the mix of houses sold. Furthermore, to simplify the analysis, we assume that the thresholds used to determine that a market is in sellers', buyers' or balanced territory are the same for all provinces. In reality, thresholds can vary from province to province.

Figure 6

The overall Canadian context

Canadian existing home sales have rebounded since the economic downturn. So far in 2011, buoyant labour market conditions and low mortgage rates have continued to support existing home sales (Figure 3). New listings, on the other hand, have outpaced existing home sales. Based on these dynamics, Canada's existing home market has experienced balanced market conditions in all months since February of 2011, with the exception of March. Although MLS® sales have slowed since their 2011 peak (January) of 472,140 units, the SLR is expected to remain near the balanced market threshold for the rest of this year.

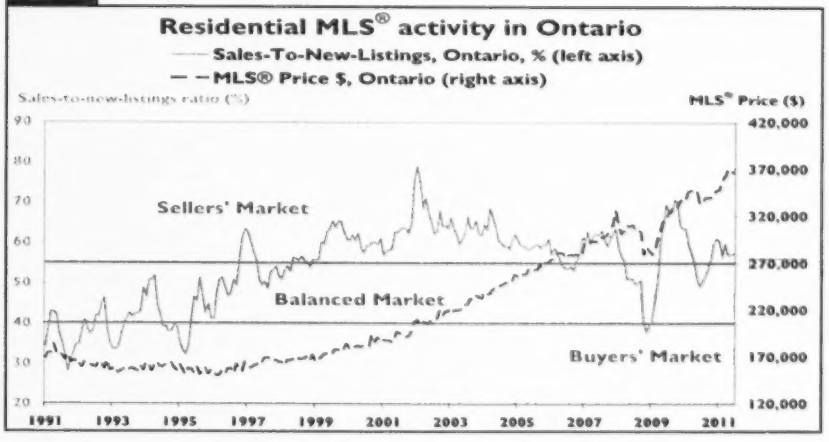
Figure 7



The Western Canada view

As can be seen from Figures 4 to 7, Canada's western provinces are in balanced market conditions, except for Manitoba, which has remained in sellers' market territory

Figure 8



since about 2001 due to persistently limited supply of housing. This characteristic distinguishes Manitoba from the other three western provinces which swung back to buyers' or balanced market conditions as a result of the latest economic downturn.

In British Columbia, the seasonally adjusted average MLS® price as of June 2010 was $496,233, compared to $573,742 in June of this year. In Alberta, the seasonally adjusted average MLS® price as of June 2010 was $356,245, compared to $352,904 in June of this year. In Saskatchewan, the seasonally adjusted average MLS® price as of June 2010 was $240,545, compared to $258,142 in June of this year. Finally, in Manitoba, the seasonally adjusted average MLS® price as of June 2010 was $221,173, compared to $233,597 in June of this year

The Ontario and Québec view

With respect to Ontario and Québec (Figures 8 and 9), there has been a slight change between the two provinces. Ontario has seen relatively constant MLS® sales levels during the first half of 2011. In addition, there has been a slight increase in new listings from January to June this year. Accordingly, the SLR has moved down moderately, but still present sellers' market conditions. Québec, on the other hand, has seen a 6.0 per cent decrease in MLS® sales since the start of 2011.

Figure 9

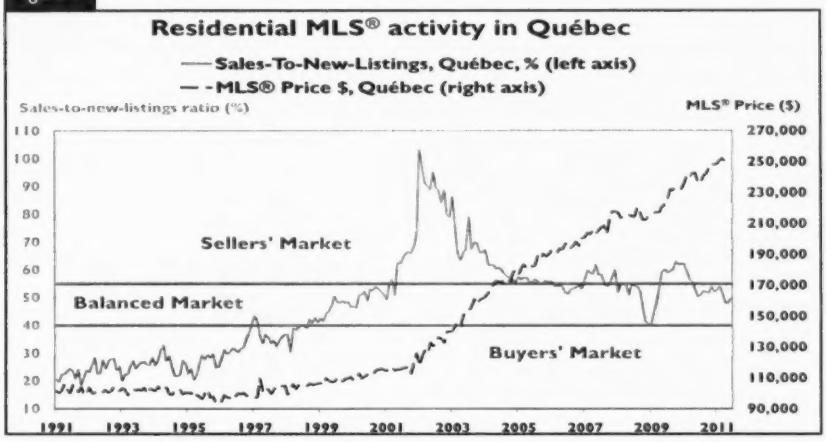


Figure 10

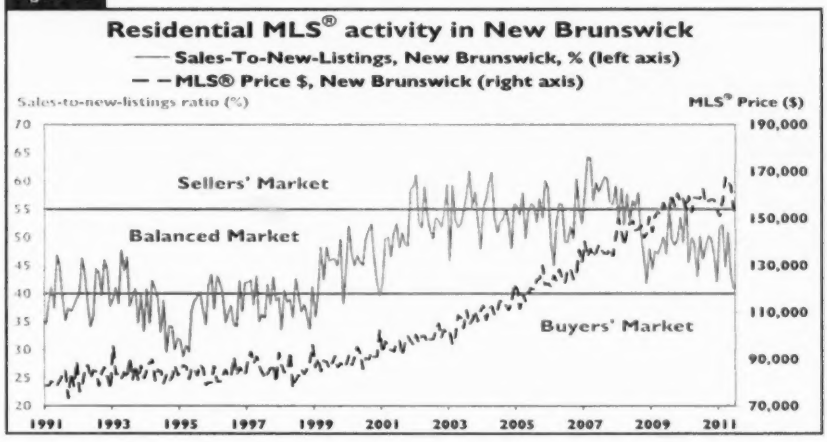
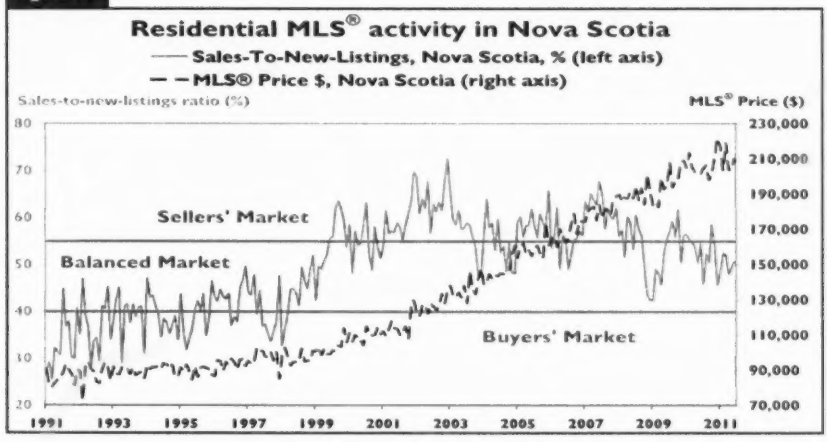


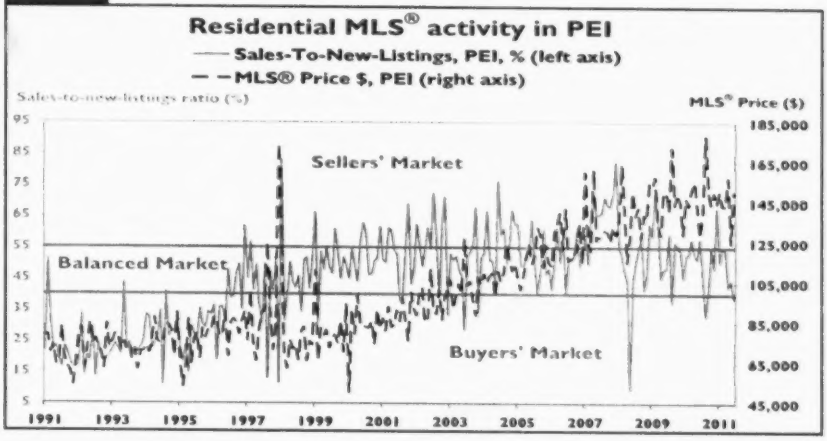
Figure 11



This, in conjunction with relatively no change in MLS® new listings, has caused the Québec SLR to become balanced.

In Ontario, the seasonally adjusted average MLS® price as of June 2010 was $334,297, compared to $366,550 in June of this year. In Québec, the seasonally adjusted average MLS® price as of June 2010 was $237,384, compared to $250,015 in June of this year.

Figure 12



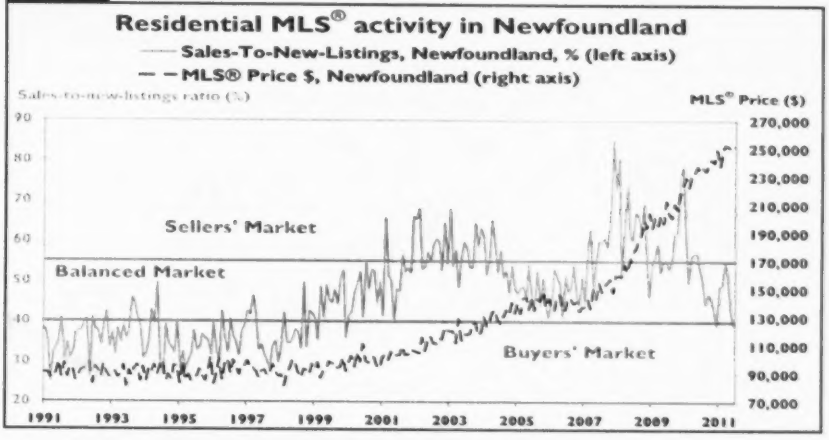
The Atlantic Canada view

With respect to Atlantic Canada (Figures 10 to 13), the SLR has been in balanced market conditions since February 2010. MLS® sales in the region have moved lower over the course of 2011. In addition, an increase in new listings has also occurred over the same time frame. These are the two factors contributing to a reduction in the SLR for the Atlantic Canada since Febraury 2011.

All provinces within Atlantic Canada, save for Nova Scotia which is balanced, are close to a buyers' market.

In New Brunswick, the seasonally adjusted average MLS® price as of June 2010 was $158,528, compared to $153,589 in June of this year. In Nova Scotia, the seasonally adjusted average MLS® price as of June 2010 was $201,809, compared to $209,963 in June of this year. In Prince Edward Island, the seasonally adjusted average MLS® price as of June 2010 was $128,548, compared to $150,377 in June of this year. In Newfoundland and Labrador, the seasonally adjusted average MLS® price as of June 2010 was $233,635, compared to $251,308 in June of this year.

Figure 13



Conclusion

In the year end report of 2010, Canada's resale markets were in balanced market conditions. There has been no significant change since this report (January 2011) with Canada remaining in balanced market conditions.

As new listings are expected to stay in line with sales, markets are expected to remain balanced with modest growth in average house prices in 2011. ■

This Month's Housing Data (SAAR)

Housing starts, units, 000s

	2010	Q4:10	Q1:11	Q2:11	M04:11	M05:11	M06:11
Canada. Total. All areas	**189.9**	**180.0**	**174.6**	**195.0**	**194.1**	**193.3**	**200.8**
Per cent change from previous period	27.4	-5.6	-3.0	11.7	5.0	-0.4	3.9
Canada. Total. Rural areas	**23.8**	**23.0**	**17.8**	**18.7**	**18.8**	**22.5**	**23.1**
Per cent change from previous period	27.0	-1.3	-22.6	5.1	-8.7	19.7	2.7
Canada. Total. Urban areas	**166.2**	**157.0**	**156.8**	**176.3**	**175.3**	**170.8**	**177.7**
Per cent change from previous period	27.5	-6.2	-0.1	12.4	6.8	-2.6	4.0
Canada. Single. Urban areas	**74.2**	**64.4**	**61.5**	**68.4**	**67.2**	**63.8**	**70.9**
Per cent change from previous period	22.7	-7.9	-4.5	11.2	7.9	-5.1	11.1
Canada. Multiple. Urban areas	**91.9**	**92.6**	**95.3**	**107.9**	**108.1**	**107.0**	**106.8**
Per cent change from previous period	31.6	-5.0	2.9	13.2	6.1	-1.0	-0.2
Newfoundland. Total. All areas	**3.6**	**3.2**	**3.7**	**3.7**	**2.7**	**4.7**	**5.8**
Per cent change from previous period	18.0	-3.0	15.6	0.0	-35.7	74.1	23.4
Prince Edward Island. Total. All areas	**0.8**	**0.9**	**0.8**	**0.8**	**0.7**	**0.9**	**0.8**
Per cent change from previous period	-13.8	28.6	-11.1	0.0	16.7	28.6	-11.1
Nova Scotia. Total. All areas	**4.3**	**3.9**	**4.1**	**4.2**	**4.9**	**5.4**	**4.0**
Per cent change from previous period	25.3	-15.2	5.1	2.4	53.1	10.2	-25.9
New Brunswick. Total. All areas	**4.1**	**4.3**	**1.5**	**3.2**	**2.9**	**3.4**	**4.5**
Per cent change from previous period	16.5	-2.3	-65.1	113.3	123.1	17.2	32.4
Quebec. Total. All areas	**51.4**	**47.9**	**47.0**	**49.0**	**44.6**	**50.4**	**48.2**
Per cent change from previous period	18.3	-4.6	-1.9	4.3	-11.7	13.0	-4.4
Ontario. Total. All areas	**60.4**	**58.6**	**61.6**	**71.2**	**79.2**	**58.9**	**75.8**
Per cent change from previous period	20.0	-3.5	5.1	15.6	6.0	-25.6	28.7
Manitoba. Total. All areas	**5.9**	**5.4**	**4.5**	**5.9**	**5.0**	**6.2**	**5.4**
Per cent change from previous period	41.1	-21.7	-16.7	31.1	25.0	24.0	-12.9
Saskatchewan. Total. All areas	**5.9**	**7.5**	**6.3**	**6.9**	**7.3**	**6.0**	**8.7**
Per cent change from previous period	52.8	21.0	-16.0	9.5	37.7	-17.8	45.0
Alberta. Total. All areas	**27.1**	**22.9**	**20.9**	**23.8**	**22.5**	**25.6**	**24.1**
Per cent change from previous period	33.5	-14.9	-8.7	13.9	7.7	13.8	-5.9
British Columbia. Total. All areas	**26.5**	**25.4**	**24.2**	**26.3**	**24.3**	**31.8**	**23.5**
Per cent change from previous period	64.7	-5.2	-4.7	8.7	20.9	30.9	-26.1

SOURCE: CMHC, Starts and Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

Housing starts, units, 000s	2010	Q4:10	Q1:11	Q2:11	M04:11	M05:11	M06:11
Canada. Total. Urban areas	166.2	157.0	156.8	176.3	175.3	170.8	177.7
Newfoundland. Total. Urban areas	2.2	2.2	2.4	2.5	1.5	2.2	3.0
Prince Edward Island. Total. Urban areas	0.6	0.7	0.5	0.6	0.6	0.6	0.5
Nova Scotia. Total. Urban areas	3.5	3.2	3.4	3.7	4	4.2	3.1
New Brunswick. Total. Urban areas	3.0	2.8	1.0	2.4	2.2	2.0	2.9
Quebec. Total. Urban areas	43.5	41.0	40.0	42.7	39	44.4	42.8
Ontario. Total. Urban areas	57.1	54.9	59.0	68.6	76.1	55.6	72.1
Manitoba. Total. Urban areas	4.0	3.4	3.2	4.0	3.7	4.6	3.7
Saskatchewan. Total. Urban areas	4.6	5.5	5.3	5.5	5.7	4.4	6.3
Alberta. Total. Urban areas	24.1	20.1	19.6	21.8	20.5	23.5	22.1
British Columbia. Total. Urban areas	23.6	23.2	22.4	24.5	22	29.3	21.2

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized.This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Major Housing Indicators

New Housing	2010	Q4:10	Q1:11	Q2:11	M04:11	M05:11	M06:11
New & unoccupied singles & semis, units 000s	5.3	5.6	5.9	5.6	5.7	5.5	5.6
Per cent change from same period previous year	-28.4	-1.8	11.1	4.3	6.2	0.1	6.7
New & unoccupied row & apartments, units 000s	13.6	13.7	13.6	12.8	12.6	12.7	13.3
Per cent change from same period previous year	11.1	6.6	0.6	-4.5	-6.3	-2.4	-4.8
New House Price Index, 2007=100	103.2	103.8	104.5	n.a.	104.9	105.3	n.a.
Per cent change from same period previous year	2.2	2.2	2.0	n.a.	1.9	1.9	n.a.
Existing Housing							
MLS® resales*, units 000s	447.0	446.8	465.1	443.3	439.5	439.5	450.9
Per cent change from same period previous year	-3.9	-15.9	-7.1	0.2	-9.2	-0.1	11.9
MLS® average resale price, 000s**	339.0	342.4	365.1	366.3	368.9	366.7	363.4
Per cent change from same period previous year	5.8	1.2	7.0	7.9	7.0	7.9	9.2
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	3.49	3.30	3.45	3.63	3.70	3.70	3.50
Posted 5-Year Mortgage Rate, % (period average)	5.61	5.31	5.32	5.56	5.69	5.59	5.39

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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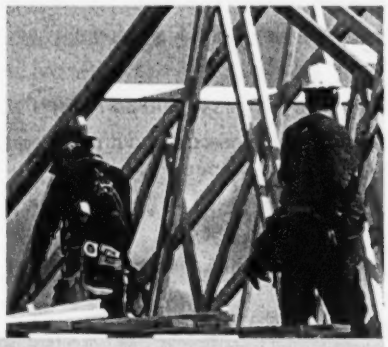

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